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Introduction

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More than two decades have passed since the various rural development projects, such as the introduction and diffusion of high-yielding varieties of rice and land reform programs, have started to be implemented in the Philippines.

These projects are said to have brought about drastic changes in the socioeconomic structures of the rural communities of the Philippines. As we search for future direction of structural change in rural villages in the Philippines as well as rural development policies in the countries of south Asia and Africa, it is essential that we examine and analyze the agrarian structure characterized by landlordism and traditional rural institutions, whether they have changed and if so how.

This report is a compilation of the results of investigations conducted in rural villages in the Philippines by researchers from a number of different disciplines, including cultural anthropology, sociology, and economics, from their respective perspective in the fields of their interest.

Before broaching the subject, we feel it would benefit the readers to provide a brief summary concerning the history, introduction and results of the green revolution and agrarian land reform as a way of introduction to each paper in the report.

The population in the Philippines increased at the high rate of three percent per year during the 1950's and 60's. By the late 1950's, uncultivated land had disappeared so that during the 1960's and 70's the fragmentation of farm land had progressed. On the other hand, economic development during the 1950's and 60's was relatively high, and coupled with the high population growth, the demand for food increased rapidly. As the shortage of food became increasingly serious, the government introduced and disseminated modern technologies for food production featuring high-yielding varieties of rice and use of chemical fertilizer and pesticides.

A history of the Philippines reveals that the process of developing commercial farming since the eighteenth century had taken the form of landlordism. Even at present a characteristic social structure reflects a strong sense of unfairness with the wealth concentrating in a few rich families. Moreover, the Philippines had one of the highest rates of tenant farmers in all of Asia, particularly in the rice-growing areas of Central Luzon and Southern Tagalog. Share

tenancy was quite common in rice farming and levels of land rent were extremely high which forced the tenant farmers and their families to a life of poverty. On the other hand, in the sugarcane growing areas of Negros, the gap between the rich owners of haciendas often greater than one hundred hectares and the poor farm laborers was especially notable.

These problems of poverty in rural villages were seen as potential causes of agrarian unrest. In order to cope with the economic crisis in the mid-1960s, guerrilla activists who agitated in support of war in Vietnam and the separatist activities of Muslims in Mindanao, the developed countries of the West and the World Bank rapidly increased economic development assistance to the Philippines. A large portion of that development assistance was spent on agrarian reform in rice-growing areas and development and diffusion of modern rice growing technologies in order to eliminate the unrest in the rural areas which was considered as being at the root of the social instability.

The diffusion of modern rice technologies rested on two main strategies; namely, the construction of irrigation facilities and implementation of tenant support program known as Masagana 99. Implemented first in 1973, Masagana 99, the Rural Financial Policy program, provided low-interest, no-security loans to beneficiaries using the new farming technologies.

The irrigated acreage increased from 960 thousands hectares in 1965 to 1.906 million hectares in 1985. The number of rice farmers receiving financial assistance amounted to forty percent of all rice farmers, thus contributing to the diffusion of new rice technologies. As a result of the dissemination of high-yielding varieties of rice, the yield doubled. This does not imply, however, that the high-yielding varieties were used throughout the country, the yield reflected the state of irrigation, in other words, where there was sufficient irrigation, yield was high.

Another objective of the Masagana 99 plan was to support the tenant farmers who were beneficiaries of the earlier agrarian land reform.

Reform plans had been revised many times beginning with the Agrarian Reform Law of 1955 to the Comprehensive Agrarian Reform Law (CARL) enacted during the Aquino administration. In this report, we will focus on the agrarian reform conducted under Martial law during the Marcos administration and the CARL under the Aquino administration.

The Agrarian Land Reform carried out under the Philippine Presidential Decree of 1972 targeted rice or corn producing areas. At the first stage, the reform program aimed at conversion of share tenants to lease holders or amortizing owners. In 1975, the Secretary of Agrarian Reform Ministry proclaimed a Decree under which land owners who held more than 7ha but less than 24ha were allowed to hold plots of not more than 7ha in tenancy. Lands that remained

rented under the 7 hectares ceiling were converted from share tenancy to fixed rent contracts, with regulated levels of rent.

The land area where the transfer of land title was actually implemented was sixty-six percent of target area for land transfer program, and the transfer program from share tenancy to lease holding was carried out in areas in excess of the target, indicating that this agrarian land reform program was comparatively more successful than earlier programs. It must be noted, however, that small land owners with less than seven hectares of land were excluded from the program, and moreover, eighty percent of the target land owners who had openly resisted land reform programs represented small and medium landlords owning between seven to 24 hectares. This meant that the agrarian reform was less thorough than those in northeastern Asia.

The Aquino administration that came into power following the People Power revolution in February 1986 enacted comprehensive Agrarian Reform Law RA 6657 in 1988. This law was much more comprehensive, expanding the target from rice and corn farm lands to commercial crop lands, such as sugarcane, as well as to fish ponds and plantations owned and operated by multi-national enterprises. It also expanded the beneficiaries to include farm laborers in addition to tenant farmers. However, due to the extensive scope of the plan and the insufficient provisions for financing its implementation, resistance from the land owners, stronger compared to that under the Marcos administration, as well as many loopholes in the legal document prevented it from being effectively implemented. It must be noted that the Comprehensive Agrarian Reform Program, CARP is not advancing under the present Ramos administration either.

As mentioned above, the diffusion of modern rice technologies and agrarian land reform covered a wide area during the Marcos administration changing the the relationship between land owners and tenants which had regulated the traditional agrarian structure and traditional rural institutions. As a result productivity increased and improved the income level of the farmers. In non-irrigated or not well irrigated areas, however, even when new technologies were introduced, they did not lead to increased productivity. In these areas, the small and medium land owners strongly resisted the agrarian reform, traditional agrarian structures remained strongly entrenched and the conversion from the prohibited share tenancy to lease hold was not successful. With respect to CARP formulated by the Aquino administration, the land transfer involving land from sugarcane haciendas to laborers and peasants has not succeeded with the exception of very few cases.

The first part of the report focuses on the change in the landlord-tenant or landlord-farm

laborer relations as a consequence of the agrarian reform implemented by the Marcos regime and the CARP implemented under the Aquino administration and the process of the landed farmers and laborers achieving a self sustainable development.

Chapter One elucidates, through a long-term field observation, the process of development of the ex-tenants who benefited from the dismantling of rice hacienda by the Marcos Agrarian Reform. We see how former owners (absentee landlords) were stripped of their land, and how the encargado (superintendent) and katiwalas (managers) were forced to give up their positions, how some formerly poor tenants were able to utilize the high-yielding varieties of rice, irrigation, and commercial crops that were introduced together with the land reform to accumulate wealth and move into the rich class. The process is described through detailed accounts of individual life stories. Conclusions are drawn by examining the conditions that led these beneficiaries of the agrarian land reform to become self-sustaining.

Generally speaking, the Aquino administration CARP program, never came close to reaching the goals it set out to achieve.

Chapter Two, examines the sugarcane producing area in Negros, where despite absence of agrarian land reform a major change in patron-client relations took place as a result of the abandonment of haciendas due to their poor management. A variety of creative hacienda management by the laborers is reported. A detailed observation is made of a successful case in which the landlord voluntarily transferred the ownership of his hacienda to the laborers who decided to manage it through a cooperative. Interestingly, the examination reveals that while the landlord-laborer relations appear to proximate relationship between a management consultant and members of the cooperative, in reality, however, they have not overcome the conventional patron-client relationship. The economic structural change in rural communities cannot be grasped simply through the change in the landowner-tenant relationship.

In the second part of this report, an analysis of the change in rural economic institutions such as tenancy contract, labor contract and informal rural credit market, brought about by Green Revolution and agrarian reform is conducted from an economic perspective.

In areas where through the introduction of modern rice production technologies profits increased dramatically and through agrarian reform the transfer of land title was carried out, new rural institutions emerged that had never been observed there before.

Chapter Three examines the increasingly popular employment of sharecropping permanent labor in Central Luzon since the 1980s, and offers a hypothesis regarding the employers' choice in favor of a sharecropping permanent labor contract. It was assumed that farm families enjoying a large off-farm income opted for this type of contract in order to encourage greater

motivation of the laborers. Empirical examination proves that a high factor intensity is achieved under a sharecropping arrangement. This contractual arrangement is profitable for a landowner who faces a high opportunity income.

Chapter Four analyzes the emergence of sangla, a land-pawning contract, which became common in the 1980s in progressive rice-farming areas of Inner Central Luzon and Panay. The chapter presents a conceptual model concerning the contractual choice of sangla and an empirical test of the model. From these studies, the following results are elucidated.

(1) Sangla contracts became more common in regions where increases in rice yields had been achieved and high-salaried job opportunities had increased.

(2) The typical money stream does not flow towards small-scale farmers from large-scale farmers. Rather, it was common in the area of study that small-scale farmers engaged in high-salaried off-farm jobs loaned their surplus funds to large-scale farmers.

(3) Sangla contracts were chosen by income-maximizing farmers, on the basis of rationality irrespective of reform law restrictions.

As we have seen, in areas where the Green Revolution and Agrarian Land Reform were successful, decisive changes in the rural institutions can be seen. However, in areas where rice productivity did not increase and where agrarian land reform did not progress, the traditional rural institutions continues to persist.

Share tenancy, prohibited by the agrarian land reform law, continues to be made, especially where kinship relations between land owner and tenant existed. In Chapter Five, analysis of a household survey from the Philippines shows that the behavior of sharecroppers having a kinship relationship with their landlord is not affected by the terms of the contract, while the behavior of the other sharecroppers is restricted by the contractual terms. In fact sharecropping enables an efficient resource allocation and is a preferred choice among the kin. Kin landlords indeed help or are expected to help more frequently in case of emergency than the other landlords, and they do so with a wider range of instruments, providing an incentive for cooperative behavior in sharecropping contracts among kin.

Although much formal financial assistance has been provided to farmers after the agrarian land reform and the diffusion of new technologies, it has not contributed to mitigating credit rationing. Traditional informal finance still plays an important role in the rural credit market. In Chapter Six, the attention is paid to the Philippine rural credit market where although the high interest rates and credit rationing are characteristics, it is common for low- interest rates and no-security loans to be agreed upon through personal ties. The authors postulate that the lower interest rates are quite common because the lender hopes to induce the borrower to

avoid defaulting. First they proved that the reciprocal credit contract may be optimal and sustainable as a non-cooperative equilibrium. Second, they showed that personal relations, assets and income are important determinants of a credit contract in an informal credit market, by using Tobit type empirical model.